

FISCAL NOTE

Bill #: SB0213

Title: Revise recycling laws

Primary Sponsor: Story, B

Status: Third Reading

Sponsor signature	Date	David Ewer, Budget Director	Date
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Fiscal Summary

	<u>FY 2006</u> <u>Difference</u>	<u>FY 2007</u> <u>Difference</u>
Expenditures:		
General Fund	\$0	\$0
Revenue:		
General Fund	\$0	(\$221,437)
Net Impact on General Fund Balance:	\$0	(\$221,437)

- | | |
|---|--|
| <input checked="" type="checkbox"/> Significant Local Gov. Impact | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached | <input type="checkbox"/> Needs to be included in HB 2 |

Fiscal Analysis

ASSUMPTIONS:

1. This bill extends the termination date in 15-32-603, MCA on the tax credit for investment in property used to collect or process reclaimable material, and the deduction in 15-32-610, MCA for the purchase of recyclable material, from December 31, 2005 to December 31, 2010.
2. The recycling credit and deduction may be claimed by an individual against income taxes or by a corporation against corporate license taxes. The following table provides actual amounts for total recycling credits claimed by Montanans on individual income tax returns for tax years 1993-2003 and an average amount for these eleven years. The amount of deduction claimed by individuals on the income tax form under 15-32-610, MCA is not significant as most large purchases of recyclable material are by corporations and are reported against the corporate license tax.

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Total Amounts and Overall Average Individual Income Tax Recycling Credit and Deduction Claimed Tax Years 1993-2003	
Tax Year	Credit Amount
1993	\$165,594
1994	\$242,506
1995	\$116,710
1996	\$52,643
1997	\$99,146
1998	\$257,108
1999	\$95,489
2000	\$261,529
2001	\$102,071
2002	\$66,369
2003	\$121,309
Average Credit	\$143,679

- Credits claimed against individual income tax in FY 2006 will be for purchases made before the end of calendar 2005 and are allowed under current law. Thus, there is no revenue impact in FY 2006.
- Credits claimed against individual income tax in FY 2007 will be for purchases in calendar 2006 and are not allowed under current law. Based on the average amount of credit claimed, it is estimated that extending the termination date for the recycling credit for individuals will reduce general fund revenue by \$143,679 in FY 2007.
- The following table provides the actual amounts of the net recycling credit and the deduction for the purchase of recycling materials allowed by the Department of Revenue for corporations on corporate licensing tax returns for FY 2003 and FY 2004, and an average amount for these two years. Credits claimed by corporations for the period were much higher, however much of the total claimed amount was denied.

Total Amounts and Overall Average Corporate License Tax Recycling Credit and Deduction Amounts Allowed Fiscal Years 2004 and 2005		
Fiscal Year	Credit Amount	Deduction Amount
2003	\$4,065	\$1,259,936
2004	\$8,145	\$3,167,004
Average	\$6,105	\$2,213,470

- For corporations, purchases of equipment and materials qualifying for either the credit or the deduction that are made after December 31, 2005 will result in credits and deductions taken under the provisions of this bill. A company paying corporation license tax files a return for its tax year, which is not necessarily

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a calendar year. Half of credits claimed on corporation license tax returns filed in FY 2007 would be for purchases on or before December 31, 2005 and would be eligible for the credit under current law. The full impact of this bill on corporation license taxes will occur first in FY 2008.

7. Based on the average amount of credit claimed by corporations in the past two years, extending the credit is estimated to reduce general fund revenue by \$3,053 in FY 2007 (\$6,105 average credit amount X .5 year) and by \$6,105 in FY 2008.
8. The impact of extending the corporate deduction for purchasing recyclable material at the 6.75% corporate tax rate is estimated as \$74,705 (\$2,213,470 average deduction amount X .0675 X .5 year) in FY 2007, and by \$149,409 (\$2,213,470 average deduction amount X .0675) in FY 2008.
9. As amended, this bill provides a tax credit for an investment in property used to produce energy from recyclable materials except for energy produced from reclaimed hazardous waste, tires, plastics, or certain used oil.
10. Combining the credits claimed against individual income tax, the credit claimed by corporations, and the corporate deduction for purchasing recyclable material, the impact of this bill is a reduction to the state general fund of \$221,437 in FY 2007.
11. The Department of Revenue anticipates no additional expenditures associated with implementing this bill.

FISCAL IMPACT:

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
<u>Revenues:</u>		
General Fund (01)	\$0	(\$221,437)
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
General Fund (01)	\$0	(\$221,437)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

This bill would have no effect on county or local expenditures.

LONG-RANGE IMPACTS:

Extending the sunset date to 2010 would reduce general fund revenue by an estimated \$299,193 in each of fiscal years 2008 through 2011.